

BUSINESS CONDITIONS

SEVENTH
FEDERAL



RESERVE
DISTRICT

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DISTRICT SUMMARY

AN accelerated rate of activity was apparent during March in manufacturing industries of the Seventh district, and although increases were to a considerable extent seasonal in nature, the volumes produced exceeded substantially those of the same month last year and first-quarter output was well above that of the corresponding 1936 period. Reporting food industries likewise increased their output in March. The merchandising of commodities, at wholesale and retail, for the most part showed greater than usual expansion over the preceding month, and with the earlier date of Easter this year, retail trade was considerably larger than a year ago.

Though still affected by strike conditions, production of automobiles in March rose sharply over the preceding month and was well above that of last March. Continued pressure of demand has maintained operations in the iron and steel industry at a high level, and activity at steel and malleable casting foundries of the district expanded in March, as did that at stove and furnace factories. Gains over February in new orders and shipments by furniture manufacturers were greater than seasonal in extent. Building construction rose sharply in March, and the movement of building materials increased, in accordance with seasonal trend. In line with the accelerated industrial output, employment and payrolls in most reporting groups gained further in the current period, although the total number of workers declined, owing to the strikes in the automobile industry.

Production and sales of packing-house commodities, of butter, and of Wisconsin cheese increased during March over February, and output of the first-named exceeded that of a year ago. Inventories of packing-house products and of Wisconsin cheese remained above the 1932-36 average, but those of creamery butter fell to below this average. The movement of wheat and of corn was light in March; prices of these grains, after advancing in the early part of April, had broken rather sharply by mid-

month, but firmed later. Farm field work in this district had begun to make progress by April 20, and pastures, which had been generally poor, were just showing improvement; vegetation was still practically dormant on that date, but the outlook for fruit was fair to good. The United States Department of Agriculture April 1 forecast for the 1937 production of winter wheat in the five States including the Seventh district approximated 110,000,000 bushels, or 20 per cent heavier than last year's crop and better than 30 per cent above the 1928-32 average.

Greater than seasonal gains were recorded for March over February in sales of reporting wholesale trade groups, and the department store and retail shoe trades likewise experienced increases in business that were above the 1927-36 average expansion for the period. The retail furniture trade, on the other hand, showed only a slight rise in the aggregate over the preceding month. Because of the earlier date of Easter this year and one more trading day, department store trade was considerably heavier in the current period than in March 1936.

Between March 17 and April 14, total loans and investments of reporting member banks in this district declined moderately, the result of smaller holdings of Government securities, as other investments and commercial loans increased in the period; demand deposits in these banks were about 100 millions lower on April 14 than on March 17. Redemption of Treasury bills in the last two weeks of the period was a factor in reducing holdings of United States Government obligations, although the change in this item as well as in deposits reflected in some degree large shifts in Chicago arising out of customer accommodation for tax-exempts around April 1. Member bank reserve balances declined somewhat in the four weeks. Dealer sales of commercial paper continued to increase in March, while new financing through bankers' acceptances fell off. Bond market weakness, evident in February, was accentuated in March, but some recovery took place in April.

Proposed Capital Expenditures in 1937

Totals for 219 major concerns in the area largely comprising the Seventh Federal Reserve district, show capital expenditures as planned for 1937 to be one-third greater than actual disbursements in that direction during 1936. Of this total, 21 millions are reported as being for new buildings and 108¾ millions for machinery and other equipment to extend present capacity, 31 millions for

alteration, replacement, or repair of present buildings, and 107¾ millions for replacement or repair of machines and equipment; included in the remaining 51¾ million dollars are 29 millions for plant extension, with no segregation between buildings and equipment, and 18 millions for equipment, with no segregation between additions and repair. Fifty-eight millions in the public utility group and 23½ millions in the iron, steel, foundry, stove and furnace group represent expenditures for increasing plant capacity.

In the railroad group 70½ millions are shown for equipment such as machines, rolling stock, and trackage, with approximately one-half of this amount covering replacements. The major portion of proposed expenditures in the machinery, tools, and electrical equipment group and for firms reporting in the auto accessory, motor vehicle, and aviation group, is for machinery and similar equipment. Expenditures in the miscellaneous group for 1937 are to be heavier for plant extension than for repair and replacements; one-half of those in the food, beverages, and confections group is for buildings and the remainder for equipment.

PROPOSED CAPITAL EXPENDITURES IN 1937, COMPARED WITH ACTUAL CAPITAL DISBURSEMENTS IN 1936
Seventh Federal Reserve District

Industrial Group (Number of firms in parentheses)	Total Proposed for 1937	Actually Disbursed during 1936	Per Cent Change in 1937 from 1936
	(In thousands of dollars)		
Utilities.....(8)	104,069	78,360	+32.8
Railroads.....(13)	92,218	57,789	+59.6
Auto Accessories, Motor Vehicles, and Aviation..(21)	27,981	21,800	+28.4
Iron, Steel, Foundries, Stoves and Furnaces. . . (28)	27,670	23,139	+19.6
Foods, Beverages, and Confections.....(36)	21,889	20,906	+4.7
Machinery, Tools, and Electrical Equipment....(27)	17,928	15,613	+14.8
Miscellaneous Manu- facturing.....(54)	15,910	11,641	+37.0
Paper, Containers, and Printing.....(25)	9,698	6,168	+57.2
Other.....(7)	3,131	3,805	-17.7
Total All Groups.....(219)*	320,494	239,221	+34.0

*Data for 163 of these firms included in the tabulation a month ago.

Credit and Finance

During the four-week period ended April 14, reserve balances of Seventh district member banks decreased 19 million dollars. Factors contributing to this decline were a loss of 18 million dollars in commercial and financial transactions with other districts and an increase in money circulation of 5½ million dollars, offset in part by an excess of Treasury disbursements over collections of 1½ million dollars and a 3 million dollar growth in reserve bank credit extended, of which 1 million was in bills discounted and the remainder "float." Reserve balances declined 127 million dollars in the first two weeks of the period; the decrease was chiefly effected in the first week by heavy Treasury receipts and in the second week by large shifts in banking funds out of the Seventh district because of the April 1 personal property tax assessment. During the remainder of the period member bank reserves regained 108 million dollars of their previous decline, mostly through redemption of approximately 99 million dollars in Treasury bills in the Chicago area, which accounts for a large part of the decrease in holdings of

Government direct obligations by the weekly reporting member banks.

The mid-April trend in loan rates of leading Chicago banks was mixed: among "loop" banks there seemed to be some tendency toward firming of rates on demand and time collateral loans and at the same time some softening in rates on prime commercial loans and on commodity paper loans; while several outlying banks reported slightly higher rates on prime commercial and cattle loans and the opposite tendency in demand collateral loan rates. The March average rate earned on total loans and discounts by certain down-town Chicago banks was 2.63 against 2.67 per cent in February; and for similarly situated Detroit banks the decline was from 2.72 to 2.70 per cent.

March sales of commercial paper by midwestern dealers rose seasonally 2½ per cent over the preceding month to almost 50 per cent above the year-ago amount and within 19 per cent of the 1927-36 average for March. Except for last December, sales were the highest since May 1931. Paper outstanding March 31 totaled 6½ per cent above February 27 and 62½ per cent over March 31, 1936, and was the highest in amount since the end of January 1931. Rates hardened generally after the middle of March, with the bulk of the paper now at 1 per cent. The supply of commercial paper fell off considerably during the first half of April, and although there was some evidence of restricted buying on the part of banks, demand in general remained the same as in the corresponding March period.

Contrary to a normal rise in March over February, total acceptances created this March by Seventh district banks fell 32 per cent below February to a point 71 per cent under the March 1927-36 average. Reports for the first half of April show a substantial increase in new financing over the same period of March. Outstandings at the end of March receded only 3 per cent from a month earlier, as is seasonally expected, but remained 60½ per cent below the ten-year average for the date. Accepting banks bought 38½ per cent less of their own bills in March, while purchases of bills from others, though still negligible, rose to almost twice the February amount. The open-bill market remained inactive, but there was a slight advance in rates quoted of from ⅛ to ¼ of 1 per cent, with 90-day paper at ⅝ bid, ¾ asked.

The weakness evident in the bond market in February became even more pronounced in March. According to reports from midwestern dealers, immediate cause of the weakness was the temporary lack of interest on the part of buyers. Uncertainty as to the level at which yields might stabilize, the approaching increase in reserve require-

CONDITION OF LICENSED REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions)

	April 14 1937	March 17 1937	Change from April 15 1936
Total loans and investments.....	\$3,056	\$ -84	\$ +221
Total loans on securities.....	258	-4	+2
To brokers and dealers:			
In New York.....	3	0	-1
Outside New York.....	45	-7	+2
To others (except banks).....	210	+3	+1
Acceptances and commercial paper bought.....	42	+6	+9
Loans on real estate.....	76	0	+10
Loans to banks.....	7	-1	-3
Other loans.....	582	+17	+171
U.S. Government direct obligations.....	1,503	-113	-21
Obligations fully guaranteed by U. S. Government.....	164	0	+18
Other securities.....	424	+11	+35
Demand deposits—adjusted.....	2,156	-103	+176
Time deposits.....	849	-3	+30
Borrowings.....	0	0	-1

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions)

	April 14 1937	March 17 1937	Change from April 15 1936
Total bills and securities.....	\$277.0	\$ -0.9	\$ -46.9
Bills discounted.....	1.0	+0.9	+1.0
Bills bought.....	0.4	0.0	-0.2
U. S. Government securities.....	274.6	-1.8	-46.5
Total reserves.....	1,703.0	-5.7	+253.8
Member bank reserve deposits.....	968.0	-19.2	+138.5
All other deposits.....	19.8	+8.1	-19.2
Federal Reserve notes in circulation..	959.3	+7.2	+91.8
Ratio of total reserves to deposit and Federal Reserve note liabilities combined.....	87.4%	-0.1*	+4.0*

*Number of points.

ments, and uneasiness regarding the general price level were other contributing factors. Some overhang of selling offers developed. Although trading volume was very light, a severe adjustment in prices occurred throughout March and continued into April. However, the lack of distress selling pointed to fairly strong ownership and low dealer inventories, and in the first half of April some buying was resumed by insurance companies. New financing in March was greatly curtailed; many issues which had been placed in registration were postponed or definitely canceled, and losses were sustained on several offering syndicates. The 273-day Treasury bills dated April 21 had an average yield of .701 per cent, as compared with .711 for those of March 24 and .316 per cent for January 6. Prices on the Chicago Stock Exchange, as reflected by the Chicago Journal of Commerce average of 20 leading stocks, turned irregularly lower, and stood at \$61.77 on April 21, in contrast to a recovery high of \$68.97 on February 13.

TRANSIT OPERATIONS OF THE FEDERAL RESERVE BANK OF CHICAGO AND DETROIT BRANCH

(Exclusive of treasury checks and of non-transit items drawn on own bank)

	March 1937	March 1936
Total country and city check clearings:		
Pieces.....	11,199,174	10,712,170
Amount.....	\$2,431,051,133	\$1,937,348,428
Daily average clearings:		
Total items cleared—		
Pieces.....	414,784	412,007
Amount.....	\$90,038,931	\$74,513,401
Items drawn on Chicago—		
Pieces.....	70,760*	102,798
Amount.....	\$47,151,000	\$40,477,000
Items drawn on Detroit—		
Pieces.....	21,523	19,870
Amount.....	\$11,448,619	\$8,522,209

*Decline in March 1937 is due to the packaging of Chicago early clearings.

Agricultural Products

Owing to the frozen and muddy condition of the topsoil, farm field work in the Seventh Federal Reserve district was far behind normal schedule on April 15 but began to make better progress in the following week. Subsoil moisture in areas where the most severe drought prevailed last summer was considerably below average. Though nearing completion in the southernmost counties and well under way in several other sections, the seeding of oats in many portions of the Seventh district had just started by April 20. Plowing for corn and other crops similarly was delayed. Temperatures remained under normal and there was a continued deficiency of sunshine. Vegetation was practically dormant. The condition of winter wheat, though better than at the close of March, ranged from fair to poor on April 20. A somewhat larger abandonment of winter grains and grasses than last year seemed probable, principally because of very late plantings and poor development last autumn, inadequate snow cover during the winter, and losses from soil heaving during

February and March. Rye suffered less winter damage than did wheat. Peach blooms in southern Illinois were caught by late spring frosts; otherwise, the outlook for fruit was fair to good. Pastures have been generally poor, and had only begun to show improvement by April 20. A somewhat greater than usual portion of the small grain acreage is expected to be utilized for early spring grazing, but the area remaining for harvest will probably exceed the acreage actually harvested in 1936.

On the basis of April 1 condition, the United States Department of Agriculture forecasts the 1937 production of winter wheat in the five States including the Seventh Federal Reserve district at 109,998,000 bushels, as compared with 92,453,000 bushels harvested in 1936 and the 1928-32 average of 80,119,000 bushels. United States production is estimated at 656,019,000 bushels for 1937, as against 519,013,000 bushels in 1936 and the 1928-32 average of 623,220,000 bushels.

GRAIN MARKETING

The movement of wheat at interior primary markets in the United States remained light in March. Imports of the grain continued substantial but were in smaller volume than in February or a year ago. Coincident with buying pressure from Italy, Germany, and the United Kingdom being renewed in Australia, Canada, the Argentine, and other exporting countries and extending to Gulf and Pacific Coast ports of the United States, prices of No. 2 hard winter wheat for immediate delivery at Chicago had advanced to \$1.46¼ and \$1.51½ by April 5. Small stocks in the United States on April 1 as compared with a year earlier likewise were a factor in the advance. Subsequently, prices declined to \$1.32 and \$1.35 by April 17, under the influence of a favorable United States crop forecast for 1937, an increase in Australian estimates, official denial of Argentine restrictions, rumors in regard to gold prices, and a general lull in European buying which led to "long" liquidation. Deferred deliveries were relatively weaker than nearby positions. Prices firmed after April 17.

A light volume of corn moved at United States interior terminals during March, although the quantity exceeded that of a month previous. Imports of this grain lessened after the close of March. However, a considerable movement of Argentine corn from seaboard points into the Middle West continued. April 1 stocks of United States corn aggregated much smaller than a year earlier or the 1928-32 average for the date. Chicago prices of No. 2 yellow corn for current delivery rose to \$1.39 and \$1.41½ on April 5 but subsequently declined, in sympathy with wheat, to \$1.31½ and \$1.34½ by April 16; quotations firmed later. Argentine offers for future delivery continued. Oats reshipments at interior primary markets in the United States were nearly double current receipts during March; April 1 stocks of the grain in the United States were under the 1928-32 average. The mid-April break in oats was less sharp than that in either wheat or corn.

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions)

Per Cent of Increase
or Decrease from

	March 1937	February 1937	March 1936
Chicago.....	\$3,800	+33.5	+15.8
Detroit.....	1,112	+31.5	+24.5
Milwaukee.....	319	+18.2	+13.5
Indianapolis.....	214	+20.2	+34.7
Total four larger cities.....	\$5,445	+31.5	+18.0
37 smaller cities.....	826	+19.9	+20.5
Total 41 centers.....	\$6,271	+29.9	+18.3

MOVEMENT OF GRAIN AT INTERIOR PRIMARY MARKETS IN THE UNITED STATES

(In thousands of bushels)

	March 1937	February 1937	March 1936	March 1927-36 Av.
Wheat:				
Receipts.....	7,648	6,107	10,051	16,881
Shipments.....	7,566	7,156	8,984	11,694
Corn:				
Receipts.....	9,436	9,397	18,165	17,907
Shipments.....	5,383	4,732	7,769	10,664
Oats:				
Receipts.....	3,549	3,456	8,789	7,207
Shipments.....	7,184	5,979	7,948	7,647

MOVEMENT OF LIVESTOCK

Receipts of cattle and calves at public stockyards in the United States increased more than seasonally in March over a month earlier, were greater than a year ago, and exceeded the 1927-36 March average. Though continuing much below this average, hog marketings remained above the corresponding period of 1936 and recorded a non-seasonal gain over February. Lamb receipts decreased in all three comparisons and were the smallest since February 1935. The movement to inspected slaughter—inclusive of animals that did not pass through public stockyards—followed the general trend of market receipts, except that the supply of lambs was above that of any month in the second quarter of 1936 and above the 1927-36 March average; furthermore, the volume of calves for slaughter was the greatest since October 1934.

Reshipments of cattle and calves to feed lots rose sharply in March over February to a level higher than the 1932-36 average for the month; those of feeder lambs declined in both comparisons.

MEAT PACKING

The production of packing-house commodities at inspected slaughtering establishments in the United States rose counterseasonally by 12 per cent in March, and was not only $7\frac{1}{2}$ per cent greater than a year ago but also within $3\frac{1}{2}$ per cent of the 1927-36 average for the month. The tonnage sold increased more than seasonally over February and totaled slightly in excess of current production; it was $10\frac{1}{2}$ per cent larger than a year earlier and about equaled the ten-year March average. Quotations for most packing-house products averaged higher during the period than in February; prices of veal, smoked meats, and a few pork cuts declined. Dollar sales billed to domestic and foreign customers in March exceeded those of a month previous by $3\frac{1}{2}$ per cent, were 12 per cent greater than the 1927-36 March average, and aggregated $17\frac{1}{2}$ per cent above a year ago. Inventories of these commodities in the United States decreased as is usual on April 1 from the beginning of March, but were 84 per cent heavier than on the corresponding date of 1936 and 44 per cent above the 1932-36 April 1 average. Despite a decline of $1\frac{1}{2}$ per cent in number of employes and of 4 per cent in hours worked, payrolls at the close of March showed an increase of $7\frac{1}{2}$ per cent in wage payments over the corresponding period of February. As compared with a year earlier, payrolls recorded a gain of 14 per cent in employes, $8\frac{1}{2}$ per cent in hours, and of 27 per cent in wage payments.

Shipments for export expanded in March over the low volume of February. Forwardings of lard remained light and were mainly to Porto Rico and Cuba; however, they

included a small tonnage to Italy. British trade in United States hams improved because of Easter demand; also, fair bookings were made for Coronation week and the Whitsuntide. The sale of United States lard in English markets was restricted to relatively limited offerings from stocks already landed. Continental European trade in packing-house commodities from the United States was almost nil and confined principally to casings. Porto Rican and Cuban trade continued in good volume. British quotations for American hams ruled only slightly under Chicago parity at the end of March; lard prices trended toward parity during the first half of April. Inventories of United States lard in foreign markets—inclusive of stocks in transit—declined further on April 1 from the beginning of March, but those of American meats increased.

Imports of animal products into the United States expanded sharply in March over February and continued to exceed current exports of these commodities.

DAIRY PRODUCTS

Following the small volume of February, creamery butter production in the Seventh Federal Reserve district rose $13\frac{1}{2}$ per cent in March to a level above any month since last November; it was, however, $8\frac{1}{2}$ per cent lighter than a year ago and $16\frac{1}{2}$ per cent under the 1927-36 average for the month. The tonnage sold exceeded that of a month earlier by $7\frac{1}{2}$ per cent and was 10 per cent larger than a year ago, though aggregating 4 per cent less than the ten-year March average. Manufacture of the commodity in the United States expanded 13 per cent over February, but was somewhat smaller than last March and the 1927-36 average for the period. Imports continued above a year ago. Inventories of creamery butter in the United States fell off more than seasonally on April 1 from the beginning of March to a point somewhat below the 1932-36 average for the date. Following an advance in March, prices declined in the first three weeks of April.

American cheese manufacture in Wisconsin increased 16 per cent in March over February but was 6 per cent under the 1927-36 March average. Distribution of the commodity from primary markets of the State exceeded current production, was 12 per cent heavier than a month

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

Industrial Group	Week of March 15, 1937			Change from February 15, 1937	
	Report- ing Firms	Wage Earn- ers	Earn- ings (000 Omitted) \$	Wage Earn- ers %	Earn- ings %
	No.	No.	\$	%	%
DURABLE GOODS:					
Metals and Products ¹ ..	1,517	482,705	14,055	+2.8	+8.1
Vehicles.....	345	359,045	12,188	-12.1	-7.9
Stone, Clay, and Glass..	256	23,805	579	+7.1	+19.1
Wood Products.....	413	49,660	1,054	+1.1	+1.4
Total.....	2,531	915,215	27,876	-3.6	+0.4
NON-DURABLE GOODS:					
Textiles and Products..	343	68,038	1,337	+1.1	+4.6
Food and Products.....	748	102,021	2,519	-1.1	+1.2
Chemical Products.....	231	34,452	995	+0.9	+3.7
Leather Products.....	136	27,761	585	+0.5	+1.5
Rubber Products.....	32	21,070	557	+10.2	+11.1
Paper and Printing.....	615	78,285	2,244	+2.2	+3.5
Total.....	2,105	331,627	8,237	+1.1	+3.3
Total Mfg., 10 Groups...	4,636	1,246,842	36,113	-2.4	+1.1
Merchandising².....	3,476	115,755	2,447	+5.1	+4.3
Public Utilities.....	710	94,803	3,242	+0.4	+1.8
Coal Mining.....	23	4,623	140	+0.6	+1.1
Construction.....	309	8,452	218	-8.3	-1.4
Total Non-Mfg., 4 Groups	4,518	223,633	6,047	+2.4	+2.6
Total, 14 Groups.....	9,154	1,470,475	42,160	-1.7	+1.3

¹Other than Vehicles.

²Illinois, Indiana, and Wisconsin.

LIVESTOCK SLAUGHTER

(In thousands)

	Cattle	Hogs	Lambs and Sheep	Calves
Yards in Seventh District,				
March 1937.....	218	529	202	115
Federally Inspected Slaughter,				
United States:				
March 1937.....	825	3,033	1,312	592
February 1937.....	708	2,842	1,315	437
March 1936.....	763	2,617	1,374	483

AVERAGE PRICES OF LIVESTOCK

(Per hundred pounds at Chicago)

	Week Ended		Months of	
	April 17 1937	March 1937	February 1937	March 1936
Native Beef Steers (average).....	\$10.65	\$10.80	\$10.40	\$8.70
Fat Cows and Heifers.....	8.50	8.10	7.80	6.85
Calves.....	8.50	8.80	8.85	8.00
Hogs (bulk of sales).....	9.85	10.20	10.10	10.25
Lambs.....	12.35	12.00	10.50	9.95

previous and slightly greater than the ten-year average for the period, but was 7½ per cent under last March. Inventories of cheese in the United States decreased somewhat more than seasonally on April 1 from the beginning of March but totaled 41 per cent above the 1932-36 April 1 average. Prices eased in the first three weeks of April, following steadiness throughout March.

Industrial Employment Conditions

Seventh district industries continued to add workers and to increase wage payments in the period between February 15 and March 15, but the gains effected were largely offset by strike conditions prevailing within the automobile industry. In this industry settlement of points at issue with one company near the middle of February was followed closely by the opening of a similar dispute with another concern. As this second important disturbance in the labor field began within the period covered by current data but was not terminated until early April, figures in the accompanying table reflect the loss experienced without showing the subsequent recovery. Other industries besides the manufacture of automobiles were involved in labor strikes at different stages of development during the period of this survey, new ones appearing as earlier ones were brought to a close. The Michigan area was especially affected and the only one of the five States comprising the Seventh district in which both employment and payroll volumes were considerably lower in March than in February. Iowa showed a moderate loss in employment volume but with the general raise in wage rates that was continued from the preceding month, registered a considerable gain in wage payments; Illinois, Indiana, and Wisconsin recorded increases in both items. Aside from the vehicles industries in which employment was 12 per cent and payrolls 8 per cent lower than a month earlier, only one of the major manufacturing groups failed to share in the general advance—food products, which showed a slight decline in employment volume, although wage payments increased moderately. Of the non-manufacturing industries, all but construction contributed to an upward trend.

Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

As in the first two months of the year, strikes prevented the production of automobiles in March from attaining the level it probably would have reached otherwise; nevertheless, output rose markedly over February and exceeded substantially the volume of March last year. Furthermore, the number of cars manufactured in the first quarter of

this year totaled well above that produced in the same period of 1936. Output of passenger cars in March numbered 403,773 and that of trucks 90,241, or 36 and 34 per cent heavier, respectively, than in the preceding month and 17½ and 16½ per cent greater than a year ago. First-quarter output aggregated 1,009,950 passenger cars and 227,740 trucks, which volumes represent respective gains of 16½ and 11 per cent over the first three months of 1936.

A marked expansion in sales of new automobiles to dealers and to users was shown during March in the Seventh district, following the sharp declines of the preceding month; moreover, sales exceeded those of March last year when gains were also large. The number of used cars sold in March was considerably greater than a month earlier and was well above a year ago. Both new and used car stocks declined between the end of February and March 31, and those of new cars remained much smaller than a year previous, while the number of used cars on hand at the close of March totaled slightly less than at the end of March last year.

IRON AND STEEL PRODUCTS

With mills booked in many instances practically through the second quarter and with continued heavy pressure for deliveries, the steel industry of the Chicago district has continued to operate at a high rate. In the early part of April, steel ingot output averaged 84½ per cent of capacity, as compared with 82 per cent a month previous; a slight reduction to 84 per cent was noted in the second week of the current month, due to operating conditions at the mills, but output moved up to 86 per cent in the third week of April. Almost all classes of industry have shared in the heavy demand for steel products, with perhaps the exception of the heavy construction industry; railroad purchases in particular remain large. Daily average pig iron production for March in the Illinois and Indiana district exceeded that for February by 3 per cent and the tonnage produced last March by 57 per cent. Considerable strength was shown in the scrap iron and steel market throughout March, but some weakening developed in April.

Seventh district foundries reported a considerable increase in the volume of new orders booked during March, those for steel castings rising 72 per cent and for malleable castings 22 per cent above the tonnages of the preceding month. Production was accelerated approximately 20 per cent and shipments almost as much in each of the two types of foundries. The prevailing rate of activity continued substantially higher than a year ago, especially at

MIDWEST DISTRIBUTION OF AUTOMOBILES

	March 1937 Per Cent Change from		Companies Included
	February 1937	March 1936	
New Cars:			
Wholesale—			
Number Sold.....	+163.3	+53.2	17
Value.....	+172.0	+38.1	17
Retail—			
Number Sold.....	+159.4	+5.2	26
Value.....	+179.6	+11.7	26
On Hand End of Month—			
Number.....	-8.9	-45.4	26
Value.....	-4.0	-44.3	26
Used Cars:			
Number Sold.....	+63.2	+21.7	26
Salable on Hand—			
Number.....	-6.7	-1.1	26
Value.....	-2.8	+11.3	26

LUMBER AND BUILDING MATERIALS TRADE

Class of Trade	March 1937 Per Cent Change from		Number of Firms or Yards
	February 1937	March 1936	
Wholesale Lumber:			
Sales in Dollars.....	+21.9	+53.2	8
Sales in Board Feet.....	+26.7	+44.9	6
Accounts Outstanding ¹	+9.0	+35.6	8
Retail Building Materials:			
Total Sales in Dollars.....	+25.9	+26.0	161
Lumber Sales in Dollars.....	+36.6	+21.1	79
Lumber Sales in Board Feet.....	+47.9	+1.7	89
Accounts Outstanding ¹	+1.5	+5.8	158
Ratio of Accounts Outstanding ¹ to Total Dollar Sales during Month			
	March 1937	February 1937	March 1936
Wholesale Trade.....	122.2	136.7	138.0
Retail Trade.....	256.3	316.3	304.2

¹End of Month.

steel casting foundries where gains ranged from 146 per cent in production to 179 per cent in orders. At malleable foundries, increases in the yearly comparison ranged from 28 per cent in orders booked to 42 per cent in the tonnage produced.

Shipments of stoves and furnaces from plants within the district were 50 per cent larger in March than in February, which increase exceeds the usual expansion at this season. Molding-room operations and orders accepted also registered substantial increases, and all items continued heavier than a year ago. Inventories at the close of the current period were 12 per cent above a month earlier and 85 per cent in excess of those on March 31 last year.

FURNITURE

More than seasonal gains took place in March in both new orders booked and shipments of reporting furniture manufacturers in the Seventh Federal Reserve district, following the rather unfavorable trends recorded in the first two months of this year. New orders increased 27 per cent over the preceding month and shipments expanded 22 per cent, as against gains in the 1927-36 average for March of but 11 and 15 per cent, respectively. The volume of each item was over half again as large as in the corresponding month of 1936 and about 40 per cent greater than the ten-year average for the period. Because of slightly heavier shipments than incoming orders and a moderate amount of cancellations, unfilled orders on hand March 31 totaled 4 per cent smaller than a month earlier and their ratio to current orders dropped from 149 to 113 per cent; they were, however, 84 per cent above those on hand a year ago at the same time when the ratio to new orders was only 87 per cent. Operations averaged around 90 per cent of capacity in March and were approximately 20 points higher than in the month last year.

Building Materials, Construction Work

Dealers and manufacturers of building materials reported an expansion in business volume for March that was in line with the usual gains at this season. While conditions varied throughout the district, some sections being held back more than others by unfavorable weather conditions, the gains as a whole were well distributed. Dollar sales of lumber increased by a little more than 20 per cent at wholesale and by over 35 per cent at retail, thus following closely the trend in the preceding ten years' seasonal averages. In comparison with the year-ago volumes gains were considerably smaller than a month earlier, because of the sharp rise that took place in March last year after shipments and deliveries had been delayed throughout the greater part of February by prevailing weather conditions. Shipments of brick and cement also registered about the usual seasonal rate of expansion during the current period, those of the former rising almost 40 per cent and of the latter 70 per cent over the February volumes, according to preliminary data. While cement shipments showed only a moderate increase over the figures for last March, deliv-

eries of brick were practically double in this comparison, though still not more than about 20 per cent of the normal volume. Prices of building materials have continued to move upward and in the week of April 3 averaged 2½ per cent higher than in the corresponding week a month earlier.

BUILDING CONSTRUCTION

March activity in the building construction industry of the Seventh district was the greatest for any month since last August, according to data on contracts awarded. The dollar value of such contracts, as is usual at this season, expanded markedly over that of the preceding month and was considerably larger than in March last year. Residential building increased approximately 90 per cent over the February volume and comprised almost one-third of total building construction in the current period; a year ago in March, it amounted to less than 20 per cent of the total.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

Period	Total Contracts	Residential Contracts
March 1937.....	\$47,502,300	\$15,358,900
Change from February 1937.....	+64.0%	+88.9%
Change from March 1936.....	+24.1%	+109.3%
First three months of 1937.....	\$120,527,600	\$31,355,700
Change from same period 1936.....	+18.0%	+116.1%

*Data furnished by F. W. Dodge Corporation.

Substantial gains were recorded during March over both the preceding month and a year ago in the number and estimated cost of building permits issued in 101 cities of the Seventh district. The estimated cost of these permits increased 48½ and 34 per cent in the respective comparisons, while their number gained 101½ and 20 per cent. A recession from February in the dollar volume of permits issued in Chicago and in the smaller cities of Michigan, and a decline from last March in this latter group and in the smaller cities of Indiana furnished the only exceptions to the general trend.

Merchandising

Gains for March over February in sales of reporting wholesale trade groups were greater than seasonal in the Seventh district: business expanded 15 per cent in the drug trade, 20 per cent in groceries, 29 per cent in electrical supplies, and 46 per cent in the hardware trade, whereas in the 1927-36 March average, respective increases of only 12, 11, 11, and 39 per cent are shown. In drugs and hardware, gains over a year ago were somewhat smaller than in a similar comparison for February; the increase of 18

DEPARTMENT STORE TRADE IN MARCH 1937

Locality	Per Cent Change March 1937 from March 1936		Per Cent Change First Three Months 1937 from Same Period 1936	Ratio of March Collections to Accounts Outstanding End of February	
	Net Sales	Stocks End of Month		1937	1936
Chicago.....	+26.7	+16.9	+20.5	37.9	35.2
Detroit.....	+21.6	+14.7	+19.1	44.7	46.1
Milwaukee.....	+23.7	+17.9	+21.0	40.9	39.6
Other Cities.....	+18.8	+10.2	+15.6	36.8	36.0
7th District.....	+23.7	+15.3	+19.3	40.0	39.1

WHOLESALE TRADE IN MARCH 1937

Commodity	Per Cent Change from Same Month Last Year				Ratio of Accounts Outstanding to Net Sales
	Net Sales	Stocks	Accounts Outstanding	Collections	
Groceries.....	+18.3	+15.8	+3.7	+6.7	81.5
Hardware.....	+34.2	+34.5	+26.2	+39.0	159.4
Drugs.....	+8.7	+2.8	-4.7	+2.4	140.3
Electrical Supplies..	+85.0	+78.1	+71.0	+81.2	119.0

per cent in the grocery trade compared with only small gains in the two preceding months, and that of 85 per cent in electrical supplies was the heaviest since April 1934. The higher level of wholesale commodity prices as well as the greater number of trading days in the current period than either a month or a year previous no doubt had considerable effect on the dollar volume of business recorded. In the first quarter of 1937, electrical supply sales totaled 71 per cent, hardware sales 37 per cent, drug sales 10 per cent, and grocery sales 8 per cent larger than in the corresponding three months of 1936. Stocks, except in drugs, were well above the year-ago level. In all groups, ratios of accounts outstanding to net sales were lower than either a month or a year previous.

With the earlier date of Easter and one more trading day, sales of Seventh district department stores showed an exceptionally large increase—24 per cent—this March over last. Furthermore, business expanded considerably more than is usual over the preceding month, gaining 31 per cent as against an increase in the 1927-36 average for the period of only 20½ per cent. Detroit recorded the smallest increase over February—23 per cent—while Chicago sales rose 32 per cent, Milwaukee sales 35½ per cent, and sales by stores in smaller cities 37½ per cent. Stocks were larger by 8 per cent at the close of March than a month previous and 15 per cent heavier than a year ago. Stock turnover in the first quarter of 1937 was somewhat greater than in the same period last year.

The retail shoe trade experienced a much heavier than usual expansion in business this March over the preceding month, sales of reporting department stores and dealers totaling 66½ per cent larger in the comparison, whereas the 1927-36 average for March shows an increase for the period of but 49 per cent. Moreover, the dollar volume sold in the current period exceeded that of last March by 28 per cent, while sales for the first quarter of this year recorded a gain of 23 per cent over the first three months a year ago. A rise of 5 per cent took place in stocks during March, which were 8 per cent larger at the end of the month than at the same time in 1936.

An increase of only one per cent was shown for March over February in the retail furniture trade, as compared with an 8 per cent rise for the period in the 1927-36 average. A falling-off in sales of furniture by department stores was responsible for the small gain in the total, as housefurnishings sales by these stores and sales by dealers rose in the month, the latter by 16 per cent. The reverse trend was evident as compared with March a year ago, department stores recording a 23 per cent increase in sales and furniture dealers a 1½ per cent decline, with their combined sales gaining 17½ per cent. Stocks on hand were 11 per cent larger at the close of March than a month previous and 22 per cent above those on March 31 last year.

MONTHLY BUSINESS INDEXES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

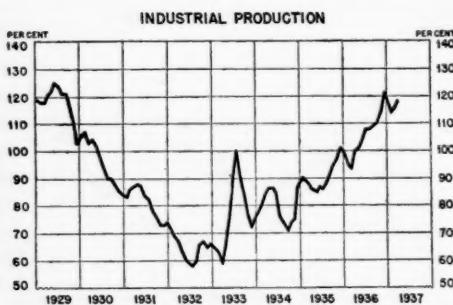
(Index numbers express a comparison of unit or dollar volume for the months indicated, using the monthly average for 1923-24-25 as a base, unless otherwise indicated. Where figures for latest month shown are partly estimated on basis of returns received to date, revisions will be given the following month. Data refer to the Seventh Federal Reserve district unless otherwise noted.)

	No. of Firms	Mar. 1937	Feb. 1937	Jan. 1937	Dec. 1936	Nov. 1936	Oct. 1936	Mar. 1936	Feb. 1936	Jan. 1936	Dec. 1935	Nov. 1935	Oct. 1935
Meat Packing—(U. S.)—													
Sales (in dollars).....	45	95	92	101	96	93	99	81	83	85	83	88	94
Casting Foundries—													
Shipments:													
Steel—In Dollars.....	12	124	104	95	73	57	74	51	46	42	41	42	47
In Tons.....	12	136	114	102	77	59	76	50	46	42	41	41	47
Malleable—In Dollars.....	21	88	74	69	66	55	56	59	49	52	49	42	45
In Tons.....	21	122	103	98	96	80	80	88	73	78	73	62	66
Stoves and Furnaces—													
Shipments (in dollars).....	8	195	131	103	266	256	356	150	113	93	176	207	257
Furniture—													
Orders (in dollars).....	12	94	74	114	67	81	84	62	45	73	43	56	62
Shipments (in dollars).....	12	102	85	65	81	75	91	65	57	41	53	54	68
Output of Butter by Creameries—													
Production.....	59	80	70	72	77	88	103	87	82	82	79	75	94
Sales.....	61	97	90	85	93	94	106	88	89	94	101	99	121
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	27	72	60	65	70	65	73	61	59	63	59	63	75
Hardware.....	11	102	70	64	93	85	108	77	49	48	65	75	86
Drugs.....	13	86	77	85	90	80	89	79	69	73	74	72	81
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	29	99	76	78	157	98	98	79	68	64	133	85	82
Detroit.....	6	113	93	88	194	117	118	93	79	75	160	104	95
Milwaukee.....	5	103	76	77	160	105	118	83	67	63	135	94	95
Other Cities.....	44	96	70	68	156	94	103	81	62	59	130	88	87
Seventh District—Unadjusted.....	84	102	78	78	164	101	104	82	69	65	137	90	87
Adjusted.....	84	104	97	97	98	93	95	89	86	81	82	83	79
Automobile Production—(U. S.)—													
Passenger Cars.....	138	101	106	145	117	65		117	77	102	117	115	73
Trucks.....	240	179	186	193	142	90		206	167	174	163	154	156
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....	52	28	27	28	32	40		25	10	14	21	17	22
Total.....	69	42	64	50	52	56		56	34	59	78	43	53
Pig Iron Production*													
Illinois and Indiana.....	127	123	120	117	109	108		81	75	77	79	79	71

*Average daily production.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

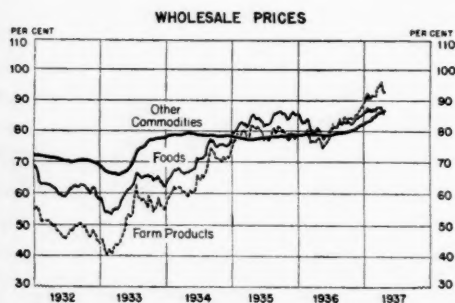
(By the Board of Governors of the Federal Reserve System)



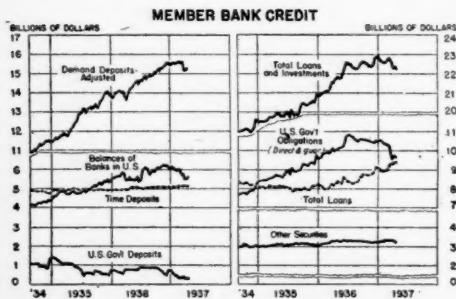
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1929 to March 1937.



Indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-1925 average=100. By months, January 1929 to March 1937. Indexes compiled by the United States Bureau of Labor Statistics.



Indexes compiled by the United States Bureau of Labor Statistics, 1926=100. By weeks, 1932 to date. Latest figure is for week ending April 17, 1937.



Wednesday figures for reporting member banks in 101 leading cities. September 5, 1934, to April 14, 1937.

IN March industrial activity continued to increase and payrolls at factories and mines showed a substantial rise. Prices of basic commodities after advancing rapidly in March declined in the first half of April.

PRODUCTION AND EMPLOYMENT

Industrial production increased from February to March and the Board's seasonally adjusted index advanced from 116 per cent of the 1923-1925 average to 118 per cent. The rise reflected a sharp increase in output of minerals, chiefly coal, and an increase of somewhat more than the usual seasonal amount in manufacturing. The larger output of coal in March was due in part to stocking by consumers in anticipation of a possible strike at bituminous coal mines on April 1 when the agreement between mine operators and the miners' union expired. A new agreement was reached on April 2 but, owing partly to the previous accumulation of stocks, production in the first ten days of April showed a sharp decline. During March activity at steel mills increased seasonally and in the first three weeks of April was over 90 per cent of capacity. In the automobile industry output showed about the usual seasonal increase in March and the first three weeks of April, considerable fluctuations during this period being largely in response to developments in the labor situation. Lumber production expanded considerably in March, and there was a sharp rise in output of nonferrous metals. Cotton consumption, which has been at an unusually high level in recent months, increased further in March and in actual amount was larger than in any previous month. Production at woolen mills and shoe factories continued in large volume.

Value of construction contracts awarded in March, as reported by the F. W. Dodge Corporation, was at about the same level as in February and substantially higher than a year ago. Privately-financed work increased, while the amount of publicly-financed work continued to decline. The increase in privately-financed projects reflected a larger volume of residential building and of factory and commercial construction.

Employment and payrolls increased by considerably more than the usual seasonal amount between the middle of February and the middle of March. The expansion in payrolls was larger than in employment, reflecting in part a further rise in wage rates. In manufacturing, the principal increases in employment were in industries producing durable goods, particularly steel, machinery, and lumber. The number employed in the production of nondurable manufactures showed slightly more than the usual seasonal rise.

DISTRIBUTION

Distribution of commodities to consumers showed about the usual seasonal increase from February to March. Mail-order sales expanded considerably but the rise in department store sales was less than seasonal, considering the early date of Easter this year.

COMMODITY PRICES

Prices of nonferrous metals, steel scrap, rubber, cotton, and wheat, which had advanced rapidly in March, declined considerably in the first half of April. Since the middle of March prices of coke, tin plate, and rayon have advanced and there have been smaller increases in a wide variety of other industrial products. Dairy products have declined, reflecting in part seasonal developments.

BANK CREDIT

In the four-week period from March 24 to April 21, excess reserves of member banks increased from \$1,270,000,000 to \$1,590,000,000, reflecting principally disbursements by the Treasury from balances with Federal Reserve banks and purchases of U. S. Government obligations by the Federal Reserve System. The bulk of the increase in excess reserves was at banks in New York City and Chicago.

Total loans and investments of reporting member banks, which had declined sharply in March, reflecting sales of U. S. Government obligations, showed little change in the two weeks ending April 14. Loans to brokers and dealers in securities declined from the middle of March to the middle of April, while other loans, which include loans for commercial, industrial, and agricultural purposes, showed a substantial increase. These loans have increased almost continuously over the past year.

Demand deposits, after declining in March, increased somewhat in the first half of April, and there was an increase in foreign bank balances, reflecting an inward movement of short-term funds from abroad.

MONEY RATES

The rate on prime commercial paper advanced from $\frac{3}{4}$ per cent to 1 per cent in the latter part of March. Bond yields, which had advanced sharply in March, showed no pronounced change in the first three weeks of April.

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